

VZCZCXRO1787
RR RUEHPA
DE RUEHOS #0008/01 0061441
ZNY CCCCC ZZH
R 061441Z JAN 10
FM AMCONSUL LAGOS
TO RUEHC/SECSTATE WASHDC 1159
INFO RUEHZK/ECOWAS COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 0707
RUEKJCS/SECDEF WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RHMFIS/HQ USAFRICOM STUTTGART GE

C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 000008

SIPDIS

E.O. 12958: DECL: 12/31/2019
TAGS: PGOV EFIN ECON ELAB NI
SUBJECT: SOUND MANAGEMENT BOLSTERS EDO STATE BALANCE SHEET
REF: A. 09 LAGOS 227
 1B. 09 LAGOS 285

Classified By: Consul General Donna Blair, Reasons 1.4 (B,D)

SUMMARY

11. (C) Fiscal management, the introduction of new technologies, and the implementation of coherent polices by Edo State Governor Adams Oshiomhole (Action Congress) have bolstered the State's balance sheet, according to commissioners and observers. The State has significantly increased revenues and reduced recurring expenditures while implementing crucial infrastructure projects. Sustaining the momentum will require overcoming significant budgetary and institutional challenges that remain. This is the second in a series of telegrams assessing the government of former labor leader Adams Oshiomhole one year after he came to power as governor of Edo State. END SUMMARY.

APPROACHING SELF SUFFICIENCY

12. (C) The administration of Governor Oshiomhole has made significant progress toward making the Edo State government economically self-sufficient. Edo State faced declining revenues in the first half of 2009 as declining oil revenues cut sharply into Federal allocations. Oshiomhole responded by introducing radical measures to increase internally generated revenues (reftels). Internal revenues tripled to 900 million naira per month over the last year, Governor Oshiomhole told PolOffs on December 7, a figure repeated in subsequent meetings with other commissioners and economic advisors. In addition, recurring expenses were trimmed by 45 percent. These efforts have positioned Edo State to cover 60 percent of its current operating budget with internally generated funds. The governor's goal is to fund all 1.5 billion naira in recurring expenditures each month with internally generated funds, freeing allowances from the Federal Government for capital improvement projects.

RAISING REVENUE

13. (C) Deployment of new technology and more rigorous enforcement activities have improved revenue collection, Oshiomhole claimed. The administration plans to utilize identification cards in conjunction with point-of-service centers to streamline tax collection, manage payroll disbursements, and accept utility payments. Use of this

technology will also help combat fraud (septel).

¶4. (C) Enactment of legislation forbidding environmental degradation and protecting forests generated additional revenues over the past year. New laws and stepped-up enforcement by the State Ministry of the Environment have resulted in a 250 percent increase in logging fines, according to Commissioner Clement Agba.

CONTAINING COSTS

¶5. (C) Recurring expenditures represent 40 percent of Edo State's monthly budget, down from 60 percent at the inception of the Oshiomhole administration. Cost containment followed a year's work to scrutinize and eliminate unnecessary spending, reduce fraudulently inflated payroll disbursements, and privatize some community services.

¶6. (C) The governor repeatedly stated his commitment to consistent application of the rule of law, claiming he "will not negotiate compliance" with rules governing fiscal responsibility. The governor cites the proposed implementation of Oracle payroll management software and the use of biometrics as evidence of his commitment to strong fiscal management. These practices reduce incidences of "ghost workers" and artificially inflated salaries that have previously drained Edo State resources.

¶7. (C) Some public services have been contracted to private

LAGOS 00000008 002.2 OF 002

enterprises to improve service delivery and to contain costs. Waste management provides one example. The Oshiomhole government has divided Benin City into 70 waste management zones. Based on competitive bids meeting clearly defined criteria for equipment and capacity, contracts have been awarded to 48 firms for collection as well as for management of the city dumps. An independent third party manages the payment collection process in a transparent online process. The State government retains 20 percent of the collected fees, while 70 percent will be paid to the waste management firms, and the remaining 10 percent go to the billing agent. Agba says that his ministry projects annual revenues will increase from 4.8 million naira (USD 32,000) to 200 million naira (USD 1.3 million) based on a 70 percent collection rate.

EARLY SIGNS OF SUCCESS

¶8. (C) Oshiomhole believes the bureaucracy of Edo State should finance itself. Funding recurrent expenditures from internally generated revenue would enable federal allocations to finance capital improvement and infrastructure projects. Sixty percent of the state's revenue is currently available for such projects, up from 40 percent at the inception of this administration. The Governor indicated his desire to increase the amount of available funds to 75 percent of the budget to meet his commitment to upgrade hospitals and schools, to improve poor drainage systems that currently undermine road construction projects and to advance reforestation efforts.

¶9. (SBU) Signs of an improved economic environment exist. Main arteries in the city center have been rebuilt with new easements. In at least one longtime sore spot, green space has replaced the filth of a neighborhood dump site. Dredging and creation of primary and secondary drainage systems, key to sustainable road construction, has begun.

¶10. (C) To date, 30 billion naira in service contracts have been awarded, bolstering employment in the State. The Bank of Industry has provided a 500 million naira microcredit facility for individual business owners as well as small and

medium sized businesses.

CHALLENGES REMAIN

¶11. (C) The governor expects wage pressure to increase the salaries of teachers, judiciary and healthcare workers in the next year. The State House of Assembly dominated by the Peoples' Democratic Party is withholding 2.7 billion naira in matching funds intended to upgrade the derelict school facilities in the State. Improvements to the state-wide drainage system will cost the state 40 billion naira. Senior civil servants require training in management and technology while the public servant workforce at large would be aided by the introduction of fresh talent and ideas, according to economic advisor Godwin Obaseki.

¶12. (C) Obaseki further argued that the initial successes were "picking the low-hanging fruit," and that sustained progress would require institutionalizing the attitudes, practices, and commitments already begun. "We have the political will, what we need is the right long term plan," which he said the Governor's economic team is developing.

¶13. (U) ConGen Lagos coordinated this telegram with Embassy Abuja.
BLAIR